

**UNAPPROPRIATED GENERAL FUND
RESERVE**

An adequate fund balance is necessary to meet seasonal shortfalls in cash, secure and maintain investment-grade credit ratings and reduce susceptibility to emergency or unanticipated expenditures, or to revenue shortfalls. Conventional wisdom is for local governments to maintain reserve fund balances of between 10 and 20 percent of their operating budgets.

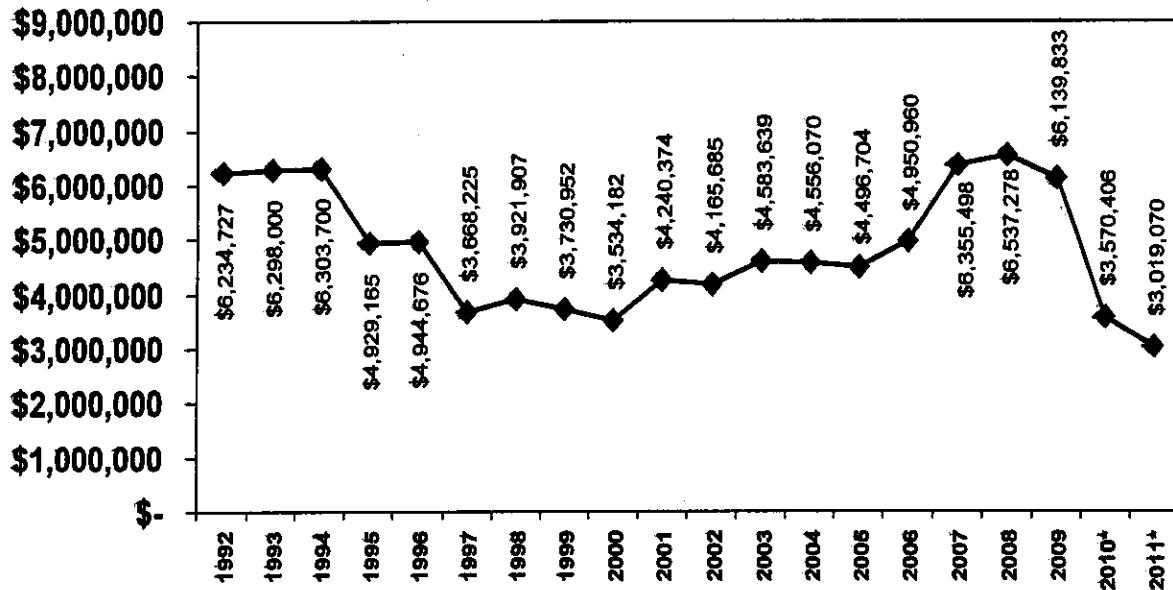
Sound fiscal policy dictates that we avoid the use of the unappropriated general fund balance to cover operating expenditures in our annual budget — simply put, operating revenues should fully fund operating expenses each year.

With an annual operating budget of more than \$50 million, Southampton County's unappropriated reserve fund balance should reasonably range between \$5 and \$10 million. The graph on page 7-3 illustrates our fund balance over the past 20 years, which has remained relatively stable with a balance of \$6.1 million on June 30, 2009.

The board has relied heavily upon the reserve for the past two years to avoid tax rate increases - this tactic is unsustainable and should not be utilized to a large degree in FY 2011. We anticipate that the fund balance may drop as low as \$3.6 million at the end of FY 2010, based upon your use of reserve funds primarily to cover precipitous increases in solid waste tipping fees (an additional \$735,000 in FY '10). A permanent and sustainable revenue stream must be identified to cover the cost of solid waste disposal in FY 2011.

This draft budget currently includes the use of \$551,336 from the appropriated general fund reserve. In a worst-case scenario, the fund balance could drop to as low as \$3.0 million by July 2011, a critical target balance to avoid cash flow problems.

Unappropriated Reserve Balance

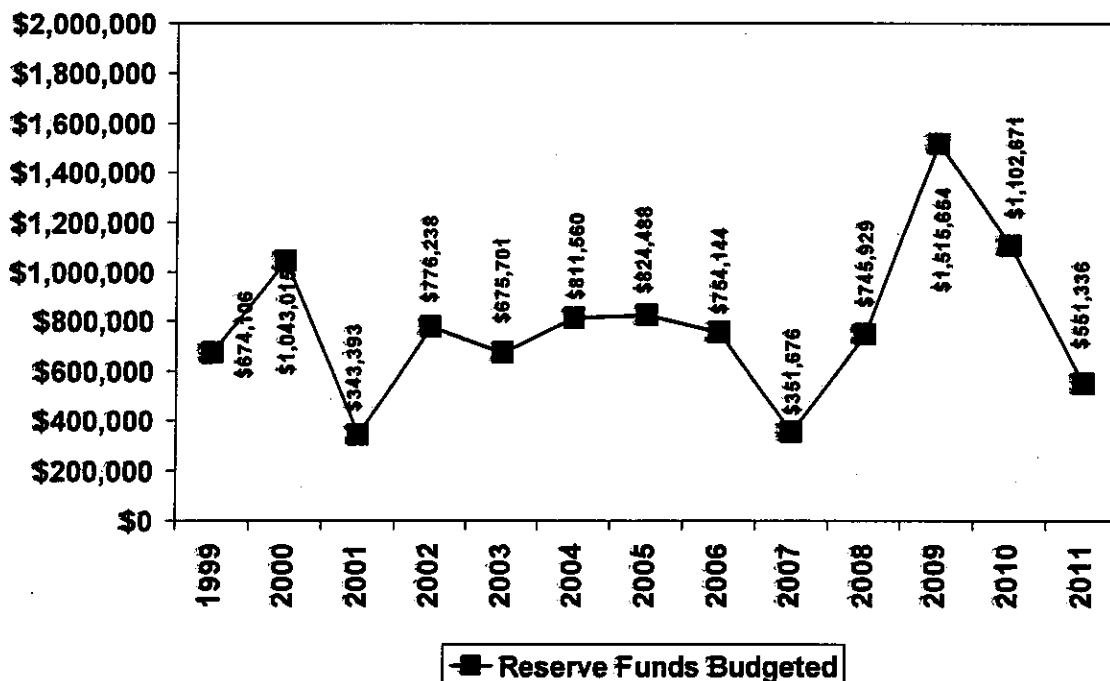


FUND BALANCE 6/30/09 (2009 AUDIT PAGE 12)		\$ 6,139,833
Funds used to balance FY 2010 budget	(1,102,671)	
Carryover funds earmarked for designated uses	(111,422)	
FY 2009 unexpended school funds (reappropriated)	(1,132,042)	
Special appropriations (7/1/09-4/1/10)	(73,292)	
SunTrust Securities (Stoplight Escrow)	(150,000)	
ENCUMBRANCES		(2,569,427)
ESTIMATED RESERVE FUND BALANCE (6/30/10)*		3,570,406
Transfer-out to General Fund Operating FY 2011	(551,336)	
NET TRANSFERS		(551,336)
ESTIMATED RESERVE FUND BALANCE (6/30/11)*		\$ 3,019,070

*Estimated Fund Balance

RELIANCE UPON UNAPPROPRIATED RESERVE AND BUILDING FUND FOR OPERATING EXPENSES

FY	From Building Fund to General Fund	From Unappropriated General Fund Reserve to General Fund	Total Transfers-In to General Fund
2000	0	1,043,015	1,043,015
2001	0	343,393	343,393
2002	0	776,238	776,238
2003	250,000	675,701	925,701
2004	200,000	811,560	1,011,560
2005	153,348	824,488	977,836
2006	0	754,144	754,144
2007	0	351,676	351,676
2008	0	745,929	745,929
2009	0	1,515,564	1,515,564
2010	0	1,102,671	1,102,671
2011	0	551,336	551,336



GENERAL FUND RESERVE

04/05/10

6,139,833	AUDIT BALANCE/GENERAL FUND (FY 2009 AUDIT PAGE 12 & PAGE 52)
(1,102,671)	GENERAL FUND RESERVE FOR GENERAL FUND OPERATING FOR FISCAL YEAR 2010 (ANNUAL BUDGET PAGE 6)
(1,132,042)	LOCAL SCHOOL FUNDS NOT EXPENDED IN FY 2009 (SPECIAL APPROPRIATION NOVEMBER 2009 TO TRANSFER FUNDS TO SCHOOL BUDGET)
(111,422)	EARMARKED CARRY-OVER GRANTS/PROGRAMS (INCLUDES CLERK OF THE CIRCUIT COURT RECORDS GRANT, COMMONWEALTH ATTORNEY'S COST COLLECTION FUNDS, SHERIFF/CAMP FOUNDATION/EDUCATION, SHERIFF/ DISCRETIONARY FUND, SHERIFF/CANINE GRANT, SHERIFF/ CRIME PREVENTION, SHERIFF/DARE, SHERIFF/PROJECT LIFESAVER, EMERGENCY SERVICES/CAMP FOUNDATION/ DISASTER PREPAREDNESS EQUIPMENT, COMPREHENSIVE SERVICES ACT/ADMIN FUNDS, PLANNING/ZONING/LITTER CONTROL GRANT & PROFESSIONAL PLANNING/AGRI LAND DEVELOPMENT, CULTURAL ENRICHMENT/REBECCA VAUGHAN HOUSE & PUBLIC ASSISTANCE)
(73,292)	SPECIAL APPROPRIATIONS MADE JANUARY 2010 (BOARD OF SUPERVISORS/MAILING VOTER INFORMATION, BLACKWATER SCENIC RIVER, GREEN JOBS ALLIANCE, COUNTY ADMIN/ NACO DUES, SHERIFF LAW ENFORCEMENT SICK LEAVE PAY/ FRANCIS & MODLIN, COMPREHENSIVE SERVICES ACT/MATCH/ STATE & ADMIN FUNDS, & SUMMER YOUTH WORK PROGRAM/ STUDENT NOT ELIGIBLE FOR PROGRAM
(150,000)	SUNTRUST SECURITIES/FOOD LION
3,570,405	GENERAL FUND REVISED BALANCE
(551,336)	AMOUNT THAT WILL APPEAR IN FY 2010-2011 BUDGET THAT WILL BE TRANSFERRED TO THE GENERAL FUND AS THE NEED ARISES AFTER 07/01/10
3,019,069	AMOUNT THAT WILL BE SHOWN IN FY 2010/2011 BUDGET FOR CAPITAL PROJECTS (RESERVE)--THIS AMOUNT IS NOT APPRO- PRIATED AND WILL BE THE LAST SHEET IN THE FY 2010-2011 BUDGET